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RUEHCI/AMCONSUL KOLKATA PRIORITY 3116
RUEKJCS/SECDEF WASHDC PRIORITY
RUCNDT/USMISSION USUN NEW YORK PRIORITY 2411
RHEFDIA/DIA WASHDC PRIORITY
RHMFIISS/CDR USPACOM HONOLULU HI PRIORITY
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C O N F I D E N T I A L SECTION 01 OF 02 KATHMANDU 000339

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TAGS: PREL PGOV PTER ECON ELAB UK NP

SUBJECT: NEPAL: MAOISTS CONTINUE TO INTIMIDATE INDUSTRIAL SECTOR

REF: KATHMANDU 326

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (b/d).

Summary

¶1. (C) On February 8, the Industrial Security Group (ISG), a business-diplomatic group, chaired by the Ambassador, discussed continued Maoist threats against the commercial and industrial sectors. Extortion, kidnappings and violence continued and appeared to be soaring in the run-up to a planned Maoist rally celebrating the 11th Anniversary of the Maoist insurgency in Kathmandu on February 13. Business leaders complained about the growing militancy of Maoist and other trade unions and the Government of Nepal's (GON) failure to address these concerns. The ISG also discussed the recent unrest in the Terai and its impact on industry.

Maoist Violence and Intimidation Continue

¶2. (C) The Industrial Security Group (ISG) met February 8 to discuss continued Maoist extortion and threats made against employees in the commercial and industrial sectors. (Note: The ISG includes representatives of the Embassies of France, Germany, India, the UK, the U.S. and the Delegation of the European Commission, along with their bilateral Chambers of Commerce. The U.S. Ambassador is Acting Chair. End Note.) Business leaders complained that Maoist intimidation and violence had not declined since the signing of the Comprehensive Peace Agreement in November 2006 or after the Maoist entry into the Interim Parliament in mid-January. ISG members cited requests for money, food, and lodging for the planned Maoist rally in Kathmandu on February 13, as well as continued demands to hire additional workers. ISG members reported that since mid-November, the Maoists had kidnapped and held for ransom more than nine Marwari (Indian origin) businessmen.

Militant Trade Unions

¶3. (C) The Maoist-affiliated All-Nepal Trade Union Federation-Revolutionary (ANTUF-R) remained the leader in violence and intimidation the business leaders reported.

Some ISG members complained that other trade unions were beginning to take their lead from the Maoists and had started using violence and threats to advance their interests.

(Note: Trade unions in Nepal are affiliated with political parties. End note.) Hotel industry representatives claimed some advances in their relationships with unions, including limiting labor negotiation rounds to once every three years. However, other industry representatives stated that trade unions presented new and unreasonable demands all the time. Many complained of recent gatherings held at their businesses to demand that management either provide jobs to new workers or direct support to the Maoists. N.N. Singh, Executive Chairman of Coca-Cola's operations in Nepal, added that, when pressured by Maoists for "donations" of drinks, he was happy to provide city water, not Coke.

Ministry of Industry and Commerce: No Help

¶4. (C) Many ISG members believed that the Ministry of Industry and Commerce had been paralyzed by the impending entry of the Maoists into an interim government. Business leaders stated that the Ministry had not done anything to ease tensions because GON officials were too busy preparing to work with the Maoists. Members complained that there was a lack of rule of law, and that the Ministry of Industry and Commerce, the Labor Office, and the courts were of no help. The Ambassador, his German counterpart Ambassador Ring and British DCM Bute stressed that it was up to the police to take action against Maoist abuses, but the police had failed to do so.

Terai: No Movement

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¶5. (C) Business owners were hopeful that the situation in the Terai would calm down after the Prime Minister's speech on February 7, 2007 (reftel). Recent transportation blockades had effectively closed all of Nepal's border with India and stranded goods. ISG members also commented that their factories in the Terai were forced to run without management because any manager who appeared to be Pahadi (a person from the hill regions of Nepal) was afraid to appear for work. Hotel owners lamented that several hotels had already been forced to close and that the recent events in the Terai, coupled with the tightening of the Nepal-India border, was crushing the hotel and tourism industry. One member said that many in the hotel and tourism industry had lost complete hope for 2008.

Comment

¶6. (C) Despite the Maoist January entry into the Interim Parliament, their actions remain unchanged. Businesses continue to suffer from their abuses and no end is in sight. The overwhelming feedback from the ISG was that violence and demands on business were increasing. We were also struck by a hardening of the position of some of our European colleagues toward the Maoists at a time when many among Kathmandu's chattering class are acting as if the Maoists had changed for the better. The British DCM made clear, for instance, that his Embassy was going to be taking a much harder line on the Maoists in light of Maoist abuse of a local Embassy employee. The German Ambassador was also outspoken in his criticism of Maoist actions against a German-funded power plant project. The ISG will issue a statement urging the Maoists to end their violence, in the hope that such a statement will pressure the Maoists to improve their behavior somewhat. That said, Post has limited hope of any true change of heart by the Maoists anytime soon.

We will continue to maintain pressure on the GON and international actors with influence in Nepal to take steps necessary to restore law and order and secure Nepal's fragile

peace.
MORIARTY